

Message Text

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ORIGIN PM-04

INFO OCT-01 ARA-10 ISO-00 CIAE-00 DODE-00 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 IGA-02 OMB-01 TRSE-00 EB-07 MC-02

ACDA-07 /080 R

DRAFTED BY PM/SAS:RTITUS:LKB

APPROVED BY PM:LHGELB

L/PM:TBOREK(LEGAL QUESTION ONLY)

ACDA/IR/AT:LWATSON (DRAFT)

ARA/PAN:EJNADEAU (DRAFT)

DOD/ISA/DSAA: GEN FISH(DRAFT)

GENCOUN-IA:MR. FORMAN(DRAFT)

ISA(IA): GEN CAVAZOS (DRAFT)

H:LPEZZULLO

T - LBROWN

-----071269 061522Z /44

P 061513Z JUL 77

FM SECSTATE WASHDC

TO AMEMBASSY PANAMA PRIORITY

INFO USCINCSO

C O N F I D E N T I A L STATE 156187

E.O. 11652: GDS

TAGS: MASS, PN

SUBJECT: PANAMA FMS DEBT

REFS: (A) AFAVC MSG DTG 011600Z MAR 77; (B) COMUSMILGP PN

MSG DTG 121700Z APR 77; (C) STATE 101318; (D) SECDEF MSG

DTG 191805Z FEB 77 (E) PANAMA 3077

1. REF C INFORMED EMBASSY THAT USE OF FY 76 FMS FINANCING
FOR PURCHASE OF 85 FOOT PATROL BOAT WAS APPROVED IN PRINCI-
PLE AND THAT LIST OF ITEMS PROPOSED FOR FY 77 FINANCING
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AGREEMENT WOULD, WITH MINOR EXCLUSIONS, BE APPROVED AFTER
RESOLUTION OF FMS CONTRACT ARREARAGES PROBLEM.

2. WE HAVE AUTHORIZED DOD TO PROVIDE P AND A DATA ON 20MM
GUNS WITH CONCURRENT SPARE PARTS (CSP) AND AMMO FOR 85 FOOT
PATROL CRAFT (LATTER COMMERCIAL PURCHASE) AND FOR PREVIOUSLY
ACQUIRED VOSPER PATROL BOATS; NINE 81MM MORTARS WITH CSP

AND AMMO; TWO .50 CAL. MACHINE GUNS WITH CSP AND AMMO FOR VOSPER PATROL BOATS; 175 PARACHUTES WITH CSP; 175 RESERVE PARACHUTES WITH CSP; TWELVE DIVING EQUIPMENT SETS, OPEN CIRCUIT, WITH CSP; AND 650 M16A1 RIFLES WITH CSP AND 325,000 ROUNDS BALL AMMO. AFTER GOP HAS CONFIRMED ITS CONTINUED INTEREST IN PURCHASING THIS MATERIAL, WE WILL COMPLETE ARRANGEMENTS FOR SIGNING OF FY 77 FINANCING AGREEMENT.

3. RE PARA 5C OF REF E: WE HAVE NO LEGAL AUTHORITY TO POSTPONE PAYMENT BY PANAMA OF ITS DUE-AND-PAYABLE FMS BILLS OR TO WAIVE ASSESSMENT OF INTEREST ON OUTSTANDING DELINQUENCIES. FURTHER, DOD CANNOT CONTINUE TO MAKE DELIVERIES OF ARTICLES AND SERVICES FOR WHICH PAYMENT DUE UNDER THE RELEVANT LOAS HAS NOT BEEN RECEIVED.

4. REFS A AND D SUGGEST USE OF AVAILABLE FMS FINANCING TO COVER FMS CASH REPAYMENT ARREARAGES. YOU MAY ADVISE GOP THAT WE ARE PREPARED TO MAKE A ONE-TIME EXCEPTION TO FMS FINANCING POLICY TO COVER BALANCES DUE ON PREVIOUS PURCHASES AND TO INCREASE FY 77 PROGRAM FOR PANAMA TO \$2.5 MILLION FOR THIS PURPOSE.

5. REF B STATES THAT GOP MAINTAINS THAT APPROXIMATELY \$770,000 OF THIS ARREARAGE WAS INCURRED AS A RESULT OF PURCHASE NECESSARY FOR PANAMA'S PARTICIPATION IN THE CONFIDENTIAL

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UNEF IN 1973 AND THAT UN IS RESPONSIBLE FOR THIS DEBT. ALL FMS CASES UNDER CONSIDERATION ARE CONTRACTS BETWEEN USG AND GOP. ANY OBLIGATION OF UN TO REIMBURSE GOP DOES NOT REPEAT NOT AFFECT OBLIGATION OF GOP TO PAY USG UNDER RELEVANT LOAS. GOP AND UN ARE DISCUSSING QUESTION.

6. YOU MAY INFORM GOP THAT WE HAVE AUTHORIZED P AND A DATA ON ALL ITEMS APPROVED INPRINCIPLE IN REF C FOR FINANCING UNDER FY 76 AND PROPOSED FY 77 LOAN AGREEMENTS. DRAWDOWNS AGAINST FY 76 LOAN AND PROPOSED FY 77 LOAN FOR NEW EQUIPMENT PURCHASES WILL BE AUTHORIZED AFTER FMS ARREARAGES HAVE BEEN LIQUIDATED. VANCE

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